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***FEDERAL FARMS LIMITED***

ANNUAL REPORT *for the fiscal year ended March 31, 1964*



## Highlights of the Year

	March 31 1964	March 31 1963	Increase/ Decrease	Percentage Increase/ Decrease
Sales .....	\$4,759,878	\$5,142,742	-\$382,864	-7.44
Net Earnings .....	138,093	116,500	21,593	18.6
Net Earnings Per Share .....	24.8¢	21.2¢	3.6¢	17.
Cash Flow .....	261,196	249,635	11,561	4.63
Cash Flow Per Share .....	47¢	45.3¢	1.7¢	3.75
Depreciation .....	123,103	133,135	-10,032	-7.53
Total Assets .....	3,281,496	3,373,139	-91,643	-2.71
Current Assets .....	1,101,785	1,172,822	-71,037	-6.
Current Liabilities .....	716,472	895,255	-178,783	-19.97
Working Capital .....	385,313	277,567	107,746	38.82
Current Ratio .....	1.53	1.31	.22	16.8



## THE PRESIDENT'S REPORT

### TO THE SHAREHOLDERS

The fiscal year ended March 31, 1964 produced increased earnings for Federal Farms Limited, additional market penetration and major expansion of snack foods business.

#### SALES

Consolidated sales for the fiscal year were \$4,759,878, a 7.44 per cent decrease from consolidated sales of \$5,142,742 in the previous year. Tonnage of product sold was actually considerably higher than last year but overabundance of certain Canadian products produced a situation in which dollar values were lower. From a profit standpoint, however, these conditions did not adversely affect the Company since there was less need to handle imported product with extra costs resulting from freight, duties and currency exchange. It is Company policy to handle Canadian-grown produce whenever available.

#### EARNINGS

Consolidated net earnings totalled \$138,093, an 18.6 per cent increase over consolidated net earnings of \$116,500 in the previous fiscal year. Per share earnings rose 17 per cent to 24.8 cents per share on 555,825 Common Shares outstanding from 21.2 cents on 550,650 Common Shares outstanding last year. Cash flow was \$261,196, equal to 47 cents per share, compared with \$249,635 and 45.3 cents per share in the previous year.



### **WORKING CAPITAL**

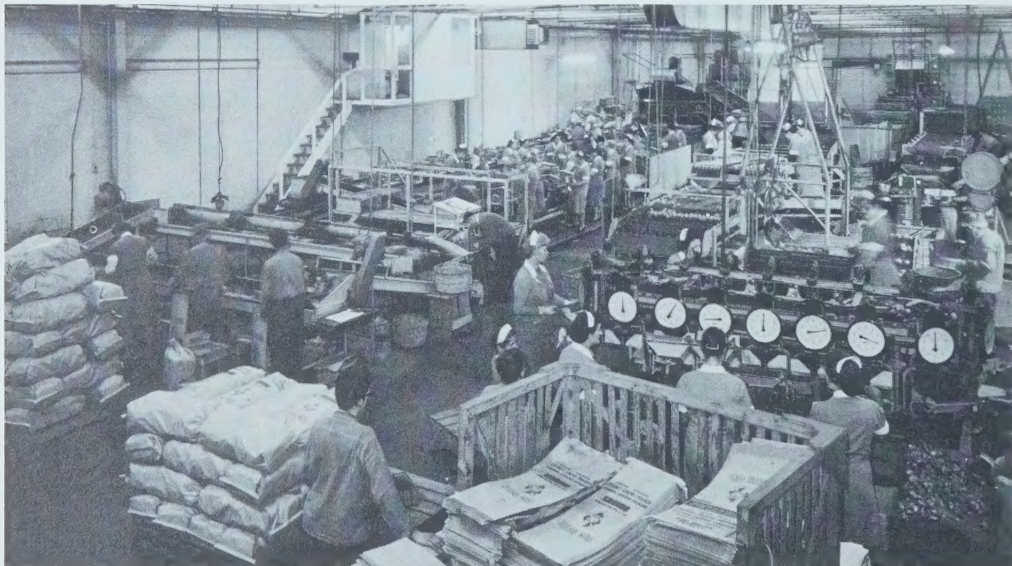
Working capital at fiscal year end was \$385,313 a 38.82 per cent increase over \$277,567 last year. Current ratio is 1.53:1.

### **DAMAGE CLAIM**

The claims which the Company has filed to recover \$76,199 for vegetables damaged in transit by several Canadian and U.S. railway carriers are being actively pursued and it is anticipated that settlement will be reached in the near future. In the meantime, in accordance with conservative accounting principles, no provision has been made for this substantial amount in the income for the fiscal year under review. The amount recovered will be added to income in the year received.

### **MAD HATTER SNACK FOODS**

Material strides have been made by the Mad Hatter Snack Foods division of the Company. Sales grew steadily and markets were expanded. At the present time the snack foods division is operating at full capacity and on a double shift basis. There have been non-recurring costs in establishing snack food markets. This division can be expected to make a growing contribution to Company earnings.



This section of Federal Farms Limited's Bradford plant contains the carrot line which washes, grades, weighs and packages product at the rate of 30,000 pounds per hour, and the onion line which polishes, grades, sizes, weighs and packages onions. The Bradford plant is considered the most efficient of its kind in Canada.

Mad Hatter has now commenced Canadian manufacture of its own cheese corn sticks following installation, at modest capital outlay, of cheese corn stick production facilities making it unnecessary to import this product from the United States as in the past. This development is already contributing to increased profitability of the snack foods division. Mad Hatter currently markets nine lines of snack foods in 32 different package types and sizes. It is the Company's policy to initiate production in its own plant of as many additional lines of snack foods as practicable.

### EXPORTS

Exports continue to represent a substantial share of the Company's business. In the year under review market conditions enabled the Company to increase exports of certain product lines to the United States.

### OUTLOOK

The Company is currently investigating new areas of activity which could substantially broaden the scope of the Company's operations. Perhaps above all others, the food industry presents the greatest challenge to those who are alert to the many opportunities



Mat Hatter's new tractor-trailer, largest to ply Ontario's highways, unloads snack foods at the Company's warehouse in Northwest Toronto. The trailer which is as large as a railway box car and doubles as a mobile advertising billboard, measures 45 feet long, eight feet wide and 12½ feet in height. It can carry 75,000 10-cent size bags of potato chips.



which present themselves. It will continue to be the policy of the Company to investigate thoroughly every possibility that would lead to orderly and sustained expansion of our operations.

### APPRECIATION

The progress achieved in the year just past would have been largely impossible without the loyalty and co-operation of staff, customers and shareholders to whom our gratitude is herewith recorded.

*Philip Satchman*

On Behalf of the Board of Directors

June 30, 1964



The sight of large Mad Hatter potato chip displays such as this is becoming increasingly common in Canadian food markets. The Company is now a major supplier of snack foods to supermarket chains, variety stores, sports arenas and theatres.



# FEDERAL FARMS LIMITED and subsidiary

## CONSOLIDATED STATEMENT OF EARNINGS

	Year Ended March 31	
	1964	1963
PROFIT FROM OPERATIONS — before the undernoted items ..	\$438,757	\$320,648
Income from investments .....	25,680	25,445
Claim received for 1962 crop damage .....	—	25,500
	<u>464,437</u>	<u>371,593</u>
Depreciation .....	123,103	133,135
Interest on long term debt .....	38,971	40,888
Executive remuneration .....	51,129	51,207
Legal fees .....	5,827	3,745
Amortization of debenture discount .....	1,000	1,000
	<u>220,030</u>	<u>229,975</u>
NET PROFIT — before income taxes .....	244,407	141,618
Income taxes (Note 6) .....	106,314	25,118
NET PROFIT .....	<u>\$138,093</u>	<u>\$116,500</u>

## CONSOLIDATED STATEMENT OF EARNED SURPLUS

	Year Ended March 31	
	1964	1963
BALANCE, beginning of year .....	\$439,961	\$324,822
Net Profit .....	138,093	116,500
Portion of appraisal surplus charged operations .....	6,396	6,601
	<u>584,450</u>	<u>447,923</u>
Less: Write off incorporation and organization expenses ..	—	435
Income taxes re previous year .....	917	7,527
	<u>917</u>	<u>7,962</u>
BALANCE, end of year .....	<u>\$583,533</u>	<u>\$439,961</u>





# FEDERAL FARMS LIMITED and subsidiary

## ASSETS

### CURRENT

Cash on hand and in banks .....		\$ 146,401
Accounts receivable — trade .....	\$ 281,418	
— sundry .....	<u>12,237</u>	293,655
Marketable investments — at cost		
(market value \$371,965) .....	351,000	
— accrued interest .....	<u>7,369</u>	358,369
Inventories — at lower of cost or market .....		226,758
Prepaid expenses .....		55,835
Product and market development (Note 2) .....		<u>20,767</u>
		1,101,785

### OTHER INVESTMENTS

Shares — at cost (market value \$72,500) .....		45,254
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### FIXED — (Note 3)

Land, farm properties, roads, canals and improvements .	874,680	
Buildings .....	766,757	
Machinery and equipment .....	676,761	
Automotive and mobile equipment .....	538,163	
Railway siding .....	6,382	
Sundry .....	<u>30,038</u>	
	2,892,781	
Less: Accumulated depreciation .....	<u>792,668</u>	2,100,113

### OTHER

Sundry deposits, receivables and other assets .....	17,658	
Patent — at cost, less portion amortized .....	4,478	
Unamortized debenture discount .....	<u>12,208</u>	34,344
		<u>\$3,281,496</u>



## Consolidated Balance Sheet, March 31, 1964

### LIABILITIES

#### CURRENT

Bank loan — secured .....	\$ 107,000	
Accounts payable and other liabilities .....	486,866	
Income taxes payable .....	67,495	
Current portion of long term debt .....	<u>55,111</u>	\$ 716,472

#### DEFERRED REVENUE

3,800

#### LONG TERM DEBT (Note 4) .....

485,660

#### MINORITY INTEREST IN SUBSIDIARY (Note 5) .....

111,814

\$1,317,746

### SHAREHOLDERS' EQUITY

#### CAPITAL STOCK (Note 1)

##### Authorized

1,500,000 — Common Shares of no par value

##### Issued

555,825 — Common Shares .....

540,500

120,000 — Share Purchase Warrants .....

6,000

546,500

#### APPRAISAL ADJUSTMENT.....

833,717

#### EARNED SURPLUS (Note 7) .....

583,533

1,963,750

\$3,281,496

Approved on behalf of the Board: PHILIP LATCHMAN, Director, ARTHUR H. ZALDIN, Director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the Year Ended March 31, 1964*

### 1. CAPITAL

- (a) 120,000 Share Purchase Warrants are subject to an Indenture dated June 15, 1961, entitling the holders to purchase Common Shares of the Company at the following price per share: \$4.00 up to June 15, 1965; \$5.00 thereafter and up to June 15, 1967; \$6.00 thereafter and up to June 15, 1969. The Warrants will be void after June 15, 1969.
- (b) 60,000 shares of the Company's capital stock have been reserved for issue under an employees' stock option plan adopted in 1961. The purchase of these shares is subject to restrictions and conditions for terms not in excess of five years. In the year ended March 31, 1964, there were 1,850 shares issued under the plan.

### 2. PRODUCT AND MARKET DEVELOPMENT

The Company has deferred part of the costs incurred applicable to the development of new products and export markets.

### 3. APPRAISAL OF FIXED ASSETS

Farm lands and improvements were valued at market in accordance with an appraisal dated May 9, 1961, made by Mr. Norman Porter. Buildings, staff dwellings and land on which same are located, including improvements, are valued at replacement cost in accordance with an appraisal dated May 18, 1961, by Geo. A. Lister & Co. Additions have been included at cost.

### 4. LONG TERM DEBT

#### Federal Farms Limited

6% mortgage, Victoria Kemp, due June 1, 1968	\$ 5,000
6½% mortgage, Industrial Development Bank, due September 13, 1969	242,000
4% indebtedness, Township of King, under Farm Drainage Act, due in 1971	7,471
7% Convertible Sinking Fund Debentures, Series A, maturing June 15, 1976	286,300
	<u>540,771</u>
Less: Payments due within one year included in current liabilities	55,111
	<u><u>\$485,660</u></u>

### Debentures

The terms of the trust indenture dated June 15, 1961, require the establishment of a sinking fund for the 7% Convertible Sinking Fund Debentures, Series A. The first sinking fund payment of \$23,000 is due on June 15, 1964. The Company is entitled to elect to apply, as a Sinking Fund credit, the \$13,700 principal amount of Debentures which were converted in the 1963 and 1964 years, and to call for redemption Debentures in the aggregate principal amount of \$9,300. The Debentures are convertible into Common Shares of the Company at the following prices: if converted on or before June 15, 1966, at \$4.00 per share; if converted after June 15, 1966, but before June 15, 1971, at \$6.50 per share; and if converted after June 15, 1971, but before June 15, 1976, at \$9.00 per share.

### 5. MINORITY INTEREST IN SUBSIDIARY

The minority shareholders' interest in the subsidiary's outstanding Preference Shares represents \$96,600 out of a total of \$201,600 (47.9% of the total). The amount of fixed preferential cumulative dividends on the Preference Shares of the subsidiary, not declared to date and attributable to the interest of minority shareholders, is \$57,802. No portion of the consolidated earnings in 1964 was attributable to the minority interest.

### 6. INCOME TAXES

In providing for the year's income taxes, the Company has claimed capital cost allowances in excess of depreciation shown in its books and has claimed unabsorbed product and market development expenses. This will result in a reduction of income taxes for the year by \$11,200. Including reductions in prior years, the net accumulated amount as at March 31, 1964, by which income taxes have been reduced totalled \$77,294.

### 7. CONTINGENT ASSET

Claims totalling \$76,199 have been filed against several United States and Canadian rail carriers for damage during February, 1963, to vegetables in transit overseas. The matter is still under negotiation and the statements do not include any amount for this claim.





#### **DIRECTORS**

Philip Latchman  
Arthur H. Zaldin, Q.C.  
B. R. P. MacKenzie, Q.C.  
C. G. King  
Irving J. Fine

#### **OFFICERS**

Philip Latchman, President  
Arthur H. Zaldin, Q.C., Secretary  
Murray H. Scheinert, C.A., Treasurer and Comptroller

#### **REGISTRAR AND TRANSFER AGENT**

National Trust Company, Limited, Toronto and Montreal

#### **AUDITORS**

Newman & Newman, Toronto

#### **BANK**

Canadian Imperial Bank of Commerce, Toronto and Bradford

#### **LISTED ON**

Toronto Stock Exchange

#### **PLANT AND OFFICE**

Bradford, Ontario

## **AUDITORS' REPORT**

To the Shareholders,  
Federal Farms Limited.

We have examined the consolidated balance sheet of Federal Farms Limited and its subsidiary company as at March 31, 1964, and the consolidated statements of earnings and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and earned surplus present fairly the financial position of Federal Farms Limited and its subsidiary as at March 31, 1964 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario  
May 29th, 1964.

NEWMAN & NEWMAN  
Chartered Accountants



**FEDERAL FARMS LIMITED** — PO Box 428, Bradford, Ontario



AR43

*A Semi-Annual Report to the Shareholders of . . .*

# **FEDERAL FARMS LIMITED**



*FOR THE TWENTY-EIGHT WEEKS ENDED OCTOBER 12, 1968*

*Name changed, 1971, to Federal Diversiplex Ltd*

## TO THE SHAREHOLDERS:

Consolidated net income for the 28 week period ended October 12, 1968 was \$16,965 compared with net loss of \$66,802 for the seven months ended October 31, 1967. Net income is after recovery of deferred taxes on income of \$32,741 (\$32,584 in 1967) and gain from sale of investments of \$11,237.

Consolidated sales for the 28 week period ended October 12, 1968 were \$3,693,973 compared with \$3,282,227 for the seven months ended October 31, 1967, a 12.54% increase.

In 1968 the basis of accounting for income taxes was changed to reflect deferred income taxes in the financial statements. The 1967 figures with respect to deferred income taxes and remuneration of directors and senior officers have been restated to be on a comparable basis with those of 1968.

This semi-annual report has been prepared for the 28 week period ended October 12, 1968, whereas previous interim reports have been prepared on a seven month basis.

Management is confident that its continuing program of production efficiencies and cost reductions will result in improved financial results.

December 5, 1968

PHILIP LATCHMAN  
President

CONSOLIDATED STATEMENT OF INCOME  
28 WEEKS ENDED OCTOBER 12, 1968  
(with comparative figures for seven months ended October 31, 1967)

	1968	1967
Sales .....	\$3,693,973	\$3,282,227
Cost of sales and expenses before the under-noted items .....	<u>3,583,339</u>	<u>3,238,082</u>
	110,634	44,145
Add income from investments .....	<u>12,741</u>	<u>14,112</u>
	123,375	58,257
Deduct		
Depreciation .....	74,840	76,009
Interest on long-term debt .....	9,529	12,941
Remuneration of directors and senior officers .....	48,843	48,814
Loss on disposal of fixed assets .....		14,229
Amortization of debenture discount .....	<u>538</u>	<u>583</u>
	133,750	152,576
Income (loss) before income taxes	<u>(10,375)</u>	<u>(94,319)</u>
Income taxes		
Current .....	7,449	5,308
Deferred .....	<u>(32,741)</u>	<u>(32,584)</u>
	(25,292)	(27,276)
Income (loss) before interest of minority shareholders .....	14,917	(67,043)
Interest of minority shareholders in net income (loss) of subsidiary companies .....	<u>9,189</u>	<u>( 241)</u>
Income (loss) from operations .....	5,728	(66,802)
Gain from sale of investments	<u>11,237</u>	
Net income (loss) for period	<u>\$ 16,965</u>	<u>\$ (66,802)</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
28 WEEKS ENDED OCTOBER 12, 1968  
(with comparative figures for seven months ended October 31, 1967)

SOURCE OF FUNDS	1968	1967
Operations		
Income from operations .....	\$ 5,728	
Gain from sale of investments .....	11,237	
Decrease in investments .....	30,254	
Depreciation and amortization .....	75,378	
Deferred income taxes .....	(32,741)	
Other .....	<u>6,798</u>	
	96,654	
APPLICATION OF FUNDS		
Operations		
Net loss for period .....		\$ 66,802
Depreciation and amortization .....		(76,592)
Deferred income taxes .....		32,584
Loss on disposal of fixed assets .....		<u>(14,229)</u>
		8,565
Fixed asset additions .....	69,638	22,761
Decrease in long-term debt .....	45,986	46,949
Other .....		<u>3,263</u>
	115,624	81,538
DECREASE IN WORKING CAPITAL .....	18,970	81,538
WORKING CAPITAL AT BEGINNING OF YEAR .....	<u>28,052</u>	<u>117,162</u>
WORKING CAPITAL AT END OF PERIOD .....	<u>\$ 9,082</u>	<u>\$ 35,624</u>

The above statements have not been audited.